

The Retailers' Occupation Tax does not apply to farm machinery and equipment that is used or leased for use primarily (over 50% of the time) in production agriculture or for use in State or federal agricultural programs. See 86 Ill. Adm. Code 130.305 (This is a GIL).

February 25, 2002

Dear Xxxxx:

This letter is in response to your letter dated December 19, 2001. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be found on the Department's website at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

We have a customer using the ST587 form for a blanket exemption certificate. We have told them that this is a one time use form only. They object and say they always use this.

In your 86 Illinois administrative code CH I Sec 130.305 subpart C Section 130.305 under M) Retailers may accept blanket certificates.

The person we talked to on the phone and their supervisor did not know what FORM you used to do this and said we had to write to the legal division. That is what we are doing now. Please fax or mail us the form you accept for blanket exemptions.

Thank you in advance

The Retailers' Occupation Tax does not apply to farm machinery and equipment that is used or leased for use primarily (over 50% of the time) in production agriculture or for use in State or federal agricultural programs. For your information, we have enclosed a copy of 86 Ill. Adm. Code 130.305 which are the Department's regulations for "Farm Machinery and Equipment." Whether a specific item qualifies for the exemption depends also on how the item will be used by the purchaser. Consumable supplies generally do not qualify for the exemption. See subsection (k) of the enclosed copy of 86 Ill. Adm. Code 130.305.

Please note that purchasers that claim the farm machinery and equipment exemption are required to provide the certification or blanket certification described in Section 130.305. Subsection (m) of 86 Ill. Adm. Code 130.305 states as follows:

Exemption certifications must be executed by the purchaser. The certificate must include the seller's name and address, the purchaser's name and address and a statement that the property purchased will be used primarily in production agriculture or in State or Federal agricultural programs. Retailers may accept blanket certificates but have the responsibility to obtain and must maintain the certificates as a part of their books and records. Retailers are required to exercise good faith in accepting exemption certificates. If, however, a retailer reasonably believes that the purchaser will use farm machinery or equipment in production agriculture or in State or Federal agricultural programs and accepts the certificate in good faith and the purchaser does not, in fact, use the machinery or equipment in production agriculture or in State or Federal agricultural programs, the purchaser will be liable to the Department for the tax. An item of farm machinery and equipment which is initially used primarily in production agriculture and having been so used for less than one-half of its useful life, is converted to primarily nonexempt uses, will become subject to tax at the time of the conversion. Such tax will be collected on such portion of the price of the machinery and equipment as was excluded from tax at the time the sale or purchase was made.

The Department does not mandate a form that purchases are required to use in order to claim the exemption. As long as the certification contains the information required by the regulations, it is acceptable to the Department.

I hope this information is helpful. The Department of Revenue maintains a website, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis
Associate Counsel

MAJ:msk
Enc.